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PATENT  
Customer No. 22,852  
Attorney Docket No. 08350.0416

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of:	)	
	)	
Mark A. HENNINGER et al.	)	Group Art Unit: 3691
	)	
Application No.: 09/738,618	)	Examiner: Lalita M. Hamilton
	)	
Filed: December 15, 2000	)	
	)	
For: COMPENSATORY RATIO	)	Confirmation No.: 2172
HEDGING	)	

Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Sir:

**REPLY TO OFFICE ACTION**

In reply to the Office Action mailed April 16, 2007, Applicants request the reconsideration of the pending claim rejections. In the Office Action, the Examiner rejected claims 1-8 under 35 U.S.C. § 102(b) as being anticipated by French, "Synthetic Securities, Corporate Finance" (May 1993). ("*French*"). Applicants respectfully traverse these rejections.

In order to properly anticipate claims 1-8 under 35 U.S.C. § 102(b), *French* must teach each and every element recited in the claims. M.P.E.P. § 2131. For at least the reasons below, *French* fails to disclose all of the recitations of claims 1-8, and Applicants request the withdrawal of the section 102 rejections.

*French* discusses on a general level the interaction between bonds and swaps. The article discusses a “bond price [that] expresses the present value of future cashflows at any point in time given the prevailing level of interest rates.” (*French*, p. 2.) The article further explains that “[t]he present-value approach to pricing bonds applies to any series of future cashflows, and therefore is used for swaps.” (*Id.*) *French* also discloses generally the ability to swap “entire asset classes” in response to “opportunistic” concerns, such as the collapse of a market. (*French*, p. 3). Further, *French* describes basic aspects of a bond/swap relationship in responding to changes in the market or allowing for different interest rates compared to normal static bonds. (*Id.*)

However, the general teachings set forth in *French* fail to disclose many of the elements of claims 1-8. For example, *French* does not disclose anything related to “determining a plurality of periods of time making up a life of a swap,” as recited in claim 1. *French* also fails to disclose “hedging an amount of a bond by said swap, said bond having a different maturity from said swap, wherein said amount of said bond hedged by said swap varies during the life of said swap.” Furthermore, *French* fails to disclose a method to “change similarly said swap mark-to-market value to said bond mark-to-market value by varying the ratio of said bond being hedged to said swap in each determined period of time to compensate for differences in said swap mark-to-market value and said bond mark-to-market value,” as recited in claim 1.

While *French* generally describes bonds and swaps, and the possibility that bonds and swaps may be combined, the reference fails to disclose several elements recited in claim 1. Furthermore, the Examiner has not explained how any of these claim elements is taught by the reference. Instead, the Examiner has merely applied a

blanket citation to "p.2-5" for all of claim 1. The Examiner also repeated this same broad citation for each dependent claim.

Because *French* does not teach each and every element recited in independent claim 1, Applicants request the withdrawal of the section 102 rejection of the claim. In addition, claims 2-8 depend from claim 1 and therefore incorporate its recitations. *French* fails to disclose several elements of claim 1 and, by extension, of claims 2-8. Applicants therefore request the withdrawal of the section 102 rejections of dependent claims 2-8.

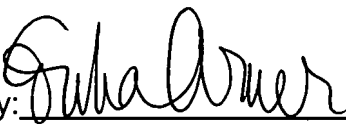
In view of the foregoing remarks, Applicants respectfully request reconsideration and reexamination of this application and the timely allowance of the pending claims.

Please grant any extensions of time required to enter this response and charge any additional required fees to our deposit account 06-0916.

Respectfully submitted,

FINNEGAN, HENDERSON, FARABOW,  
GARRETT & DUNNER, L.L.P.

Dated: July 13, 2007

By:   
Erika H. Arner  
Reg. No. 57,540